



Robbie Thompson, Vice President
General Counsel
101 14th St.
Cloquet, MN 55720 Ph: 218-625-8859
Fx: 218-878-3667
Robbie.thompson@membersccu.org

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Jennifer J. Johnson Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
VIA E-MAIL:

Re: Docket No. R-1364
Comments on Regulation Z Rules Implementing the New Credit Card Accountability, Responsibility and Disclosures Act of 2009 (CARD Act)

Dear Ms. Johnson,

I am writing on behalf of the membership, management, and staff of Members Cooperative Credit Union (MCCU), located in northern Minnesota. Our membership consists of over 30,000 hard working average Minnesotans that look to the credit union to provide consumer friendly products and services. MCCU does just that. My comments and requests are regarding the Regulation Z changes in the Credit Card Act. The recent and unreasonable change to Regulation Z that affect Multi Featured Open End Plans has placed us in a situation where compliance will be extremely difficult to achieve by the August 20, 2009 compliance date and very costly to both the credit union and its members/owners. This unprecedented short notice and time for compliance has created mass confusion and placed many credit unions in the vulnerable position of not being in full compliance. At MCCU we pride ourselves on doing things right, in compliance, and with the benefit of our members always in mind. Therefore, I am asking the Board of Governors to delay the implementation date to allow credit unions sufficient time to meet with their core processors, statement vendors and IT staff to find viable, consumer friendly, solutions to these changes. I am also asking that you clearly state that credit unions would be in compliance with rule for open end lending plans by including the next month's due date on the previous month's statement, which gives the member notice of their next due day well in advance of 21 days.

It is imperative to understand that Members Cooperative Credit Union, as well as many other credit unions across the country, utilizes Multi-feature Open End Lending Plans for a very large percentage of our loans that are not mortgage related. These include vehicle, boat, motorcycle, and personal loans to name just a few. These loans do not operate or compute interest in the same manner as credit cards do. As a result, compliance with this new legislation is very difficult, costly and not beneficial to the consumer, as we are trying to make loans that do not operate like credit cards act like credit cards for billing and payment purposes. MCCU agrees with most all of the changes made by the Credit Card Act that were intended to curb abuses in credit card practices, however, this 21 day notice provision that applies to all open-end loans does not curb an abusive practice and instead disrupts long-standing, consumer friendly practices by credit unions that greatly benefit their members.

Below is a description of our Multi-featured open end lending program:

- We have about 10,000 members who presently hold loans that will be affected by the unintended consequences of including these plans into the legislation.
- These loans are primarily auto loans, but also include personal loans and loans for items like boats and recreational vehicles.
- These loans have a set due date each month and the amount and due date of each payment is determined at the time of disbursement and doesn't change unless the member request it.
- Members are able to pick the date of the month that their loan is due. This permits them to meet their cash flow needs and plan the month's expenses.
- Members are provided a consolidated statement which saves money and means less paper, risk, and hassle for all. Plus, members like getting a consolidated statement.
- We run one statement cycle a month, which is the most cost effective process.
- Many of these loans get a get a statement quarterly, unless they also have a transaction on their account that requires a monthly statement. This cuts down on paper waste and unnecessary statements when there is no change in any accounts.
- These loans have a 10 day grace period before a late payment is assessed.
- Unlike many credit cards practices that this act was intended to curb, the interest rates on these loans are not changed unless the member requests a modification or a new disbursement. Rates do no change if payments are late, credit scores change, or any other common reasons that you may see credit card rates change.

Below I am expanding on some of the above elements of our consumer friendly, long-standing, and member enjoyed open ending lending program and discuss the challenges presented in complying with this provision of the Card Act and corresponding rules.

1. On many of our loans members receive only quarterly statements that are consolidated with all accounts they have with the credit union. Members that receive monthly statements also receive consolidated statements. These statements have savings, checking, and all other loan accounts listed on them as well. These statements provide consumers easy to read, all encompassing information and we provide statements in this way because that is what the members expect and want from the credit union. Moving these members to monthly statements or by providing individual statements for all loan types and accounts provides no benefit or greater clarity to our members. Also, as a non-profit cooperative organization we must attempt to reduce cost whenever possible, especially since it is the consumers/members' money we are using to operate the credit union. Sending consolidated statements and quarterly statements where permissible saves the credit union and thus its members a considerable amount of money. Moving quarterly statements to monthly statements alone will cost the credit union as much as \$25,000 a year. Moving from consolidated statements to multiple statements for each type of loan and account would cost the credit union more than a \$100,000 a year. This is wasteful; the cost far outweighs any possible benefits; it puts more consumer statements in the mail which heightens the risk of identity theft; and it harms the environment by unnecessarily using more paper.

2. We have many loans that are paid through payroll deduction or automatic payment which means they are bi-weekly or weekly. Changing the payment schedules on these loans would not benefit the member in any way. If MCCU makes any change to adjust the due dates for these loans by removing the automatic payment arrangements, I would expect an increase in late

fees...not a reduction as members forget or ignore credit union attempts to change the way the payments are applied. It could be argued that making a large scale change to when and how all payments are applied for the sake of "compliance" would be as anti-consumer as any of the card provisions this legislation is trying to stop.

3. Again knowing that we use the member's money to run the credit union, MCCU's management tries to minimize staff expense, yet still provide high-quality, convenient service to our members. Changing all of our members' due dates to the end of each month will lead to long lines at the end of the month in our branch locations and increased cost for additional staffing. While we have many members paying through payroll deduction or automatic payment, a large percentage of our members, in particular older members of our close knit community prefer to come in person to make the payment. Making them wait in line to make a payment at the end of each month is not consumer friendly or beneficial. While they could make the payment earlier than the due date, we know that human nature is to wait until the due date.

4. MCCU, like many credit unions, lets members pick their due date. This allows members to be able to space out due dates on loans out over the month or permits payment due dates to coincide with their receipt of income. Moving all of the due dates to the end of the month disrupts this with no measurable benefit to the member. It eliminates members' flexibility to select due dates on different days of the month to coincide with income streams. Sure they could pay earlier, but then the member has to remember when to pay and the statement becomes more confusing than beneficial.

5. MCCU has been sending consolidated statements, making multi-featured open-end loans, permitting weekly and bi-weekly payments, and allowing members to choose their due dates for many years. These efforts have kept cost down and allowed us to provide beneficial rates and services to our members, most of whom are average consumers or people of modest means. These practices and programs have served the members well over this time. Yet, this rule is requiring that within 60 days we reverse 20 years of practices designed to benefit our members. That simply is unreasonable and a burden our members/consumers should not have to endure.

I therefore strongly urge the Federal Reserve Board to use its authority under the Truth in Lending Act to:

1. Provide additional time for credit unions to comply with these rules. While the supplementary information attempts to provide an option for credit unions that cannot immediately comply, this simply creates more confusion for our members. Additionally, with 1000s of loans and with many with different terms and conditions, MCCU like most other credit unions, simply does not have adequate time to assess the impact these changes will have on each of our members and to work with our data processing vendors to eliminate and/or reduce consumer confusion.

2. Allow credit unions to include the due dates for the current month and the next month on statements for open-end lending. The language of the legislation arguably permits credit unions to include on a periodic statement the next month's due date as a method of compliance. Using this method, the member is clearly getting notification of the due dates well in excess of 21 days. This method of compliance allows credit unions to keep consolidated statements and still provide disclosure of payments without changing 80% of our borrower's due dates. While it appears this method would be compliant under the legislation, clarification from the board on this method of compliance would help avoid needless legal challenges on the issue.

Thank your for the opportunity to comment on this interim final rule.

Respectfully Submitted,

Robbie Thompson, Vice President and General Counsel
Members Cooperative Credit Union